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CITY OF MEDICINE CITY OF DURHAM | NORTH CAROLINA

DATE: September 22, 2015

TO: Thomas J. Bonfield, City Manager

THROUGH: Wanda S. Page, Deputy City Manager

FROM: Bertha T. Johnson, Director of Budget & Management Services  
Jim Reingruber, Principal Budget Analyst

RE: Request to carryover funds from FY 2014-15 to FY 2015-16, amend the FY2015-16 Budget and other grant and capital project ordinance amendments, and internal service funds spending plan.

## EXECUTIVE SUMMARY

The Budget and Management Services department is recommending adjustments to several budget, grant, and internal service spending plan ordinances and resolutions. A summary of all actions for impacted operating funds is shown in the table below:

General Fund	\$ 7,256,941.64
Emergency Telephone System Fund	\$ 288,944.88
Dedicated Housing Fund	\$ 1,150,841.09
Water and Sewer Fund	\$ 2,591,897.53
Transit Fund	\$ 945,611.53
Solid Waste Disposal Fund	\$ 937,568.78
Storm Water Fund	\$ 482,802.03
Parking Facilities Fund	\$ 7,249.51
Durham Performing Arts Center Fund	\$ 485,123.50
<b>Total</b>	<b>\$ 14,146,980.49</b>

## RECOMMENDATIONS

The Administration recommends the City Council adopt an ordinance amending the General Capital Improvement Project Ordinance, Fiscal Year 2015-16, as amended, the same being Ordinance #14778 for the purpose of reallocating funding sources for various projects.

The Administration recommends the City Council adopt a budget ordinance amending the City of Durham Budget Ordinance, Fiscal Year 2015-16, the same being Ordinance #14808, to appropriate fund balance for the carryover request, and recognize encumbrances brought forward.

The Administration recommends the City Council adopt the FY 2016 Square 1 Bank Grant Project Ordinance for the purpose promoting long-term economic growth and funding for the Durham YouthWork Program.

The Administration recommends the City Council adopt the FY 2013-14 CDBG Grant Project Ordinance superseding GPO # 14507 for the purpose of adjusting for actual program income totals.

The Administration recommends the City Council adopt the FY 2013-14 HOME Grant Project Ordinance superseding GPO # 14506 for the purpose of adjusting for actual program income totals.

The Administration recommends the City Council adopt the FY 2015 Susteen Mobile Forensic Equipment Grant Project Ordinance for the purpose of purchasing a Next-Gen Secure View Mobile Forensic System.

The Administration recommends the City Council adopt the FY 2015 US Marshals Service 2015 Fugitive Apprehension Task Force Grant Project Ordinance superseding GPO # 14643 for the purpose of recognizing additional funds for the project.

The Administration recommends the City Council adopt the FY 2010-11 FTA Section 5307 STPDA Grant Project Ordinance superseding GPO # 14107, for the purpose of adjusting for actual project expenditures.

The Administration recommends the City Council adopt the FY 2010-11 FTA Section 5309 Grant Project Ordinance superseding GPO # 14136 for the purpose of a minor technical correction.

The Administration recommends the City Council adopt the FY 2014-15 Transit Planning and Capital Grant Project Ordinance superseding GPO # 14717 for the purpose of adjusting the grant to the actual allocation amount.

The Administration recommends the City Council adopt the FY 2015-16 Transit Capital Grant Project Ordinance superseding GPO # 14789 for the purpose of adding the FTA's interest of a transit facility to the ordinance.

The Administration recommends the City Council adopt the FY 2013-14 State Apprentice Program Grant Project Ordinance superseding GPO # 14683 for the purpose of a minor technical correction.

The Administration recommends the City Council adopt the FY 2014-15 State Apprentice Program Grant Project Ordinance superseding GPO # 14770 for the purpose of adjusting the grant to actual expenses.

The Administration recommends the City Council adopt the FY 2012-13 State Technology Grant Project Ordinance superseding GPO # 14309 for the purpose of adjusting the grant to actual expenses.

The Administration recommends the City Council adopt the FY 2009-10 State Technology Grant Project Ordinance superseding GPO # 14053 for the purpose of adjusting the grant to actual expenses.

Finally, the Administration recommends the City Council adopt a Resolution superseding Resolution #9930 to amend the Risk and Employee Insurance Internal Service Funds Fiscal Year 2015-16 Financial Plans for the purpose of recognizing encumbrance carry forwards.

## **BACKGROUND**

A carryover is an expenditure that was approved in the prior fiscal year's budget, but was not spent or encumbered in that fiscal year. Unspent budgeted funds in a prior year revert to fund balance. At the end of each fiscal year, when funding is available, Budget and Management Services solicits requests from departments to carryover unspent funds budgeted in the prior fiscal year to the subsequent year. Generally, carryovers are only recommended for approval if they meet the following criteria:

- The funds were appropriated in the prior year's approved budget for the same purpose.
- The funds from the prior year were not spent.
- The purpose is one-time in nature and there are not funds budgeted in the current year for the purpose.
- The City has a desired fund balance level.

This year's request also includes recommendations to carryover funds that were not appropriated for the same purpose in the prior fiscal year. The total amount of requests submitted for all funds was \$2,481,988. Of this, the administration is recommending \$2,177,017. The total amount of general fund carryover requests submitted was \$1,819,591. Of this, \$1,609,621 is being recommended. These items include:

- Funding for Radio System Analyzer Test Equipment (E-911)
- Funding for Electronic Working Paper Software (Audit Services)
- Funding for three emergency HVAC and flooding items (General Services)
- Funding for unencumbered deferred maintenance dollars (General Services)
- Funding for uniforms and knox boxes (Fire)
- Funding for training and microfilming of records (Human Resources)

- Funding for suite reconfiguration at Golden Belt to address overcrowding (NIS)
- Funding for two neighborhood pending revitalization projects (OEWD)
- Funding for equipment upgrades and replacement vehicle and trailer (DPR)
- Funds for body worn cameras (Police)
- Funding for SOP development and asset management services (Public Works)
- Funds for data migration and communication services associated with Open Data (Technology Solutions)
- Funding for MAC Server Maintenance (City Manager's Office)
- Funding for training (Technology Solutions)

Additional items for other funds include:

- Transfers related to Transit grant funds (Transportation / Transit fund)
- Funding for furniture for the DPAC Presidential Lounge and Marquee (Community Development/DPAC)

For fiscal year ending June 30, 2015 the fund balance was projected at 14.00% The actual fund balance will be determined by Finance once the Comprehensive Annual Financial Report (CAFR) is completed in October. The City's current policy is to maintain an unassigned fund balance as a percentage of adjusted appropriations of no less than 12% of General Fund adjusted appropriations. If the carryover is approved the fund balance for the general fund will be at 23.20%.

City Council must approve any ordinance amendments. Therefore, Budget and Management Services typically brings two to four budget amendments forward each year. This is the first item for FY 2015-16. In addition, Budget and Management Services attempts to combine amendments and grants in a single agenda item for efficiency.

## **ISSUES/ANALYSIS**

At the end of each fiscal year, when funding is available, Budget and Management Services solicits requests from departments to carryover unspent funds budgeted in the prior fiscal year. After the annual financial audit is finalized and the General Fund fund balance percentage is confirmed at an acceptable level, the department of Budget and Management Services analyzes the departmental requests and makes a recommendation to the City Manager. The City Manager reviews and approves the final recommendation to be made to the City Council.

The budget ordinance allows for any encumbered funds at the end of the previous fiscal year to be automatically re-appropriated in the subsequent year. This amendment recognizes those dollar amounts in the revised ordinance. These encumbered amounts included: \$5,647,320.64 in the General Fund; \$288,944.88 in the Emergency Telephone System Fund; \$1,150,841.09 in the Dedicated Housing Fund; \$2,591,897.53 in the Water and Sewer Fund; \$827,529.53 in the Transit Fund; \$937,568.78 in the Solid Waste Fund;

\$482,802.03 in the Stormwater Fund; \$7,249.51 in the Parking Fund; and \$35,809.50 in the DPAC Fund. Total operating budget encumbrances equal \$11,969,963.49.

A Capital Improvement Program (CIP) amendment is included in this agenda item. The amendment to the General CIP ordinance, the same being ordinance #14778 as adopted June 15, 2015 to make necessary corrections in funding sources of various projects in the downtown revitalization, public protection and transportation sections. All changes increase CIP fund allocations for the Durham Armory, Police Headquarters and Annex and Failed & Struggling Infrastructure by recognizing distributed interest, rental income and surety revenues, respectively.

There are several Grant Project Ordinances (GPOs) and amendments to GPOs. OEWD has received \$20,000 from Square 1 Bank for the promotion of long-term economic growth in low-to-moderate income communities and support of the Durham YouthWork Program. Community Development is revising FY 2013-14 CDBG and HOME GPOs to recognize the actual amount of program income received for that year. The Police Department has one new grant and an amendment to an existing one. The FY 2015 Susteen Mobile Forensic Equipment Grant will be used to purchase a Next-Gen Secure View Mobile Forensic System for the Forensics Division. This \$7,391 grant pays 60% of the cost of the system, with the other \$4,999 proposed to come from forfeiture funds. This equipment doubles the capacity to perform cell phone analyses related to criminal investigations which will help clear the backlog. The amendment to the FY 2015 US Marshals Service 2015 Fugitive Apprehension Task Force Grant recognizes an additional \$2,500 that was awarded in the grant. The Department of Transportation submitted the other GPOs with this agenda item. They include the FY 2010-11 FTA Section 5307 STPDA Grant, the FY 2014-15 State Apprentice Program Grant, the FY 2012-13 State Technology Grant and the FY 2009-10 State Technology Grant which are being amended for the purpose of adjusting for actual project expenditures; Minor technical corrections are being made to the ordinances for the FY 2010-11 FTA Section 5309 Grant and the FY 2013-14 State Apprentice Program Grant; the FY 2014-15 Transit Planning and Capital Grant is being amended to match the actual allocation amount since it was previously estimated; and the FY 2015-16 Transit Capital Grant is adding the FTA's interest of a transit facility to the ordinance.

Finally, an amendment to the Internal Service Spending Plans is required to recognize Risk encumbrances carried forward of \$45,263.11 and Employee Health Fund encumbrances of 48,948.80 carried forward.

## **ALTERNATIVES**

As noted above, these amounts were scheduled to be expended in the Council adopted budget for FY 2014-15. In most cases, the funds were not expended due to delays in purchasing, delivery or implementation. All of the items remain priorities. Departments will not be able to absorb these expenditures in their FY 2015-16 departmental budgets without impacting current year service plans.

If the City Council does not approve this budget amendment, departments would have to defer the purchase of equipment that has not already been ordered and allow existing equipment to continue to deteriorate. Other expenses have either already been incurred or are not optional. Without this budget amendment, departments would have to reduce their current year service plans to accommodate those costs.

## **FINANCIAL IMPACT**

Generally, the carryovers are consistent with the City Council's intent in the adopted budget. The City's policy is to have a general reserve (unassigned fund balance) of no less than 12% of the current year's originally adopted adjusted budget expenditures or the amount required by the Local Government Commission (LGC). The Local Government Commission recommends that cities maintain a fund balance above 8%. According to the policy, any portion of the UFB in excess of the adjusted budget expenditures may be considered for one-time expenditures. The appropriation of fund balance for carryovers is for one-time costs that will not impact future budgets.

The approval of the encumbrance carry forward amounts will not impact the undesignated General Fund fund balance as these funds were already designated.

The various grant and CIP amendments have no general fund impact.

## **SDBE INFORMATION**

Not applicable.

## **ATTACHMENTS:**

- Capital Improvement Ordinance amending the General Capital Improvement Project Ordinance, Fiscal Year 2015-16, the same being Ordinance #14778
- Budget Ordinance amending the City of Durham Budget Ordinance as amended, Fiscal Year 2015-16, the same being Ordinance #14808
- FY 2016 Square 1 Bank Grant Project Ordinance and Award Letter
- FY 2013-14 CDBG Grant Project Ordinance superseding GPO # 14507
- FY 2013-14 HOME Grant Project Ordinance superseding GPO # 14506
- FY 2015 Susteen Mobile Forensic Equipment Grant Project Ordinance
- FY 2015 US Marshals Service 2015 Fugitive Apprehension Task Force Grant Project Ordinance superseding GPO # 14643

- FY 2010-11 FTA Section 5307 STPDA Grant Project Ordinance superseding GPO # 14107,
- FY 2010-11 FTA Section 5309 Grant Project Ordinance superseding GPO # 14136
- FY 2014-15 Transit Planning and Capital Grant Project Ordinance superseding GPO # 14717
- FY 2015-16 Transit Capital Grant Project Ordinance superseding GPO # 14789
- FY 2013-14 State Apprentice Program Grant Project Ordinance superseding GPO # 14683
- FY 2014-15 State Apprentice Program Grant Project Ordinance superseding GPO # 14770
- FY 2012-13 State Technology Grant Project Ordinance superseding GPO # 14309
- FY 2009-10 State Technology Grant Project Ordinance superseding GPO # 14053
- Resolution superseding Resolution #9930 to amend the Risk and Employee Insurance Internal Service Funds Fiscal Year 2015-16 Financial Plans.